

**WAC 458-20-104 Small business tax relief based on volume of business. (1)**

**Introduction.** This rule explains the small business B&O tax credit (RCW 82.04.4451), and the public utility tax income exemption (RCW 82.16.040). The public utility tax exemption is a fixed amount, or threshold, based on the reporting frequency assigned to the account. The amount of small business B&O tax credit available on a return can increase or decrease, depending on the reporting frequency of the account and the net B&O tax liability for that return. Readers should refer to WAC 458-20-22801 (Tax reporting frequency--Forms) for an explanation of how the department assigns a particular reporting frequency to each account. Readers may also want to refer to WAC 458-20-101 for an explanation of Washington's tax registration and tax reporting requirements.

(2) **The small business B&O tax credit.** Persons subject to B&O tax may be eligible to claim a small business tax credit against the amount of B&O tax otherwise due. The B&O tax credit operates completely independent of the volume exemption which applies to the public utility tax. RCW 82.04.4451 authorizes the department of revenue to create a tax credit table to be used by all taxpayers when determining the amount of their small business B&O tax credit. Taxpayers are required to use the tax credit table to determine the appropriate amount of their small business credit. A tax credit table for each of the monthly, quarterly and annual reporting frequencies is provided in this rule (see subsection (5) of this section). As required by statute, the table has been prepared in such a manner that no taxpayer owes a greater amount of tax by using the mandatory table than would have been owed by using the statutory credit formula.

(a) The small business tax credit applies to the entire reporting period, even though the business may not have been operating during the entire period.

(b) Taxpayers who are spouses that operate distinct and separate businesses are each eligible for the small business tax credit.

(c) Taxpayers who are eligible for the small business credit should follow the steps outlined in subsection (4) of this section to find the amount of credit available to them. Taxpayers who have other B&O credits to apply on a return, in addition to the small business credit, may need to refer to the multiple business and occupation tax credit worksheet in subsection (3) of this section before determining the amount of small business credit available to them. Subsection (5) of this section contains the tax credit tables for taxpayers with assigned reporting frequencies of either monthly, quarterly, or annual.

(3) **Multiple business and occupation tax credit worksheet.** The small business tax credit should be computed after claiming any other B&O tax credits available under chapter 82.04 RCW (Business and occupation tax), but prior to any B&O tax credits provided under other chapters of Title 82 RCW (Excise taxes). For example, the multiple activities tax credit, high technology credit and ride share credit should be taken before the small business credit is determined and applied, but the pollution control credit and cogeneration fee credit should be taken only after the small business credit has been applied. Proper application of the small business credit may never result in a B&O tax liability less than zero and cannot create a carryover amount for future periods. The following multiple B&O tax credit worksheet gives taxpayers an example of the process they should follow to ensure that credits are applied in the necessary order.

**MULTIPLE B&O TAX CREDIT WORKSHEET**

1. Determine the total Business and Occupation (B&O) tax due from the

## MULTIPLE B&O TAX CREDIT WORKSHEET

- B&O section of your Combined Excise Tax Return. \$ \_\_\_\_\_
2. Add together the credit amounts taken for:
- Multiple Activities Tax Credit  
From Schedule C (if applicable) \$ \_\_\_\_\_
- (Add any other B&O tax credits  
from chapter 82.04 RCW that will be  
applied to this return period) + \$ \_\_\_\_\_
- Total (Enter 0 if none of these credits are being taken.) \$ \_\_\_\_\_
3. Subtract line 2 from line1. This is the total B&O tax allowable for the  
Small Business Credit. \$ \_\_\_\_\_
4. Find the tax credit table which matches the reporting frequency assigned to the  
account, then find the total B&O tax due amount which include your figure from item 3,  
above.
5. Read across to the next column. This is the amount of the Small Business Credit to be  
used on the Combined Excise Tax Return. \$ \_\_\_\_\_

(a) For example, ABC Manufacturing and Distributing has been assigned a quarterly reporting frequency. During one quarter, ABC owes one hundred ninety dollars in wholesaling B&O tax, plus another seventy dollars in manufacturing B&O tax, for a total B&O tax due of two hundred sixty dollars. ABC qualifies for a multiple activities tax credit (MATC) and completes a Schedule C which identifies a MATC of seventy dollars. The MATC is one of the credits from chapter 82.04 RCW and should be subtracted from the B&O tax due amount before referring to the small business tax credit table. Using the worksheet, line one for ABC is the two hundred sixty dollars of total B&O tax due. Line two is the total of B&O credits available, in this case the MATC, and equals seventy dollars. Line three directs that the seventy dollars of B&O credits should be subtracted from the original two hundred sixty dollars of B&O taxes due, which leaves one hundred ninety dollars of B&O taxes potentially available for application of the small business credit (subsections (4) and (5) of this section).

**(4) Using the tax credit table to determine your small business credit.** The following steps explain how to use the tax credit table:

(a) Determine the total B&O tax amount from the combined excise tax return. This amount will normally be the total of the tax amounts calculated for each classification in the B&O section of the combined excise tax return. However, if additional B&O credits will be taken on the return, refer to subsection (3) of this section and the multiple B&O tax credit worksheet before going to step (b).

(b) Find the small business tax credit table that matches the assigned reporting frequency (i.e., the monthly table shown in subsection (5)(a) of this section, the quarterly table in subsection (5)(b) of this section, or the annual table in subsection(5)(c) of this section).

(c) Find the "If Your Total Business and Occupation Tax is" column of the tax credit table

and come down the column until you find the range of amounts which includes the total B&O tax due figure obtained from the combined excise tax return or multiple B&O tax credit worksheet.

(d) Read across to the "Your Small Business Credit is" column. The figure shown is the amount of the small business tax credit that can be claimed on the "Small Business B&O Tax Credit" line in the "Credits" section of the combined excise tax return.

(e) For example, continue with ABC Manufacturing and Distribution which was introduced in subsection (3)(a) of this section. After completing the multiple B&O tax credit worksheet, ABC had one hundred and ninety dollars of B&O tax liability left for potential application of the small business credit. ABC refers to the quarterly small business tax credit table (subsection (5)(b) of this section) and finds the "If Your Total Business and Occupation Tax is" column. Following down that column, ABC finds the tax range of one hundred eighty-six to one hundred ninety-one dollars and comes over to the "Your Small Business Credit is" column which shows that a credit in the amount of twenty-five dollars is available. This credit amount should be entered in the "Credits" section of ABC's combined excise tax return before calculating the total tax due for that return.

(5) **Tax credit tables.** Taxpayers must use the tax credit table to determine the correct amount of small business credit available to them. The monthly, quarterly and annual reporting frequencies each have their own corresponding tax credit table. Taxpayers must be careful to use the table that matches their assigned reporting frequency.

(a) Small business credit table for **MONTHLY** reporting frequency:

If Your Total Business and Occupation Tax is:		Your Small Business Credit is:
At Least	But Less Than	
\$0	\$36	The Amount of Business and Occupation Tax Due
\$36	\$41	\$35
\$41	\$46	\$30
\$46	\$51	\$25
\$51	\$56	\$20
\$56	\$61	\$15
\$61	\$66	\$10
\$66	\$71	\$5
\$71	or more	\$0

(b) Small business credit table for **QUARTERLY** reporting frequency:

If Your Total Business and Occupation Tax is:		Your Small Business Credit is:	If Your Total Business and Occupation Tax is:		Your Small Business Credit is:
At least	But Less Than		At least	But Less Than	
\$0	\$106	The Amount of Business and Occupation Tax Due			
\$106	\$111	\$105	\$161	\$166	\$50
\$111	\$116	\$100	\$166	\$171	\$45
\$116	\$121	\$95	\$171	\$176	\$40
			\$176	\$181	\$35

\$121	\$126	\$90	\$181	\$186	\$30
\$126	\$131	\$85	\$186	\$191	\$25
\$131	\$136	\$80	\$191	\$196	\$20
\$136	\$141	\$75	\$196	\$201	\$15
\$141	\$146	\$70	\$201	\$206	\$10
\$146	\$151	\$65	\$206	\$211	\$5
\$151	\$156	\$60	\$211	or more	\$0
\$156	\$161	\$55			

(c) Small business credit table for ANNUAL reporting frequency:

If Your Total Business and Occupation Tax is:		Your Small Business Credit is:	If Your Total Business and Occupation Tax is:		Your Small Business Credit is:
At Least	But Less Than		At Least	But Less Than	
\$0	\$421	The Amount of Business and Occupation Tax Due			
			\$631	\$636	\$210
\$421	\$426	\$420	\$636	\$641	\$205
\$426	\$431	\$415	\$641	\$646	\$200
\$431	\$436	\$410	\$646	\$651	\$195
\$436	\$441	\$405	\$651	\$656	\$190
\$441	\$446	\$400	\$656	\$661	\$185
\$446	\$451	\$395	\$661	\$666	\$180
\$451	\$456	\$390	\$666	\$671	\$175
\$456	\$461	\$385	\$671	\$676	\$170
\$461	\$466	\$380	\$676	\$681	\$165
\$466	\$471	\$375	\$681	\$686	\$160
\$471	\$476	\$370	\$686	\$691	\$155
\$476	\$481	\$365	\$691	\$696	\$150
\$481	\$486	\$360	\$696	\$701	\$145
\$486	\$491	\$355	\$701	\$706	\$140
\$491	\$496	\$350	\$706	\$711	\$135
\$496	\$501	\$345	\$711	\$716	\$130
\$501	\$506	\$340	\$716	\$721	\$125
\$506	\$511	\$335	\$721	\$726	\$120
\$511	\$516	\$330	\$726	\$731	\$115
\$516	\$521	\$325	\$731	\$736	\$110
\$521	\$526	\$320	\$736	\$741	\$105
\$526	\$531	\$315	\$741	\$746	\$100
\$531	\$536	\$310	\$746	\$751	\$95
\$536	\$541	\$305	\$751	\$756	\$90
\$541	\$546	\$300	\$756	\$761	\$85
\$546	\$551	\$295	\$761	\$766	\$80
\$551	\$556	\$290	\$766	\$771	\$75
\$556	\$561	\$285	\$771	\$776	\$70

If Your Total Business and Occupation Tax is:		Your Small Business Credit is:	If Your Total Business and Occupation Tax is:		Your Small Business Credit is:
At Least	But Less Than		At Least	But Less Than	
\$561	\$566	\$280	\$776	\$781	\$65
\$566	\$571	\$275	\$781	\$786	\$60
\$571	\$576	\$270	\$786	\$791	\$55
\$576	\$581	\$265	\$791	\$796	\$50
\$581	\$586	\$260	\$796	\$801	\$45
\$586	\$591	\$255	\$801	\$806	\$40
\$591	\$596	\$250	\$806	\$811	\$35
\$596	\$601	\$245	\$811	\$816	\$30
\$601	\$606	\$240	\$816	\$821	\$25
\$606	\$611	\$235	\$821	\$826	\$20
\$611	\$616	\$230	\$826	\$831	\$15
\$616	\$621	\$225	\$831	\$836	\$10
\$621	\$626	\$220	\$836	\$841	\$5
\$626	\$631	\$215	\$841	or more	\$0

(6) **Retail sales tax must be reported.** Persons making retail sales must collect and pay all applicable retail sales taxes even if B&O tax is not due. There is no small business tax credit or volume of business exemption for retail sales tax.

(7) **The public utility tax income exemption.** Persons subject to public utility tax are exempt from payment of this tax for any reporting period in which the gross taxable amount reported under the combined total of all public utility tax classifications does not equal or exceed the maximum exemption for the assigned reporting period. Effective July 1, 1996, the public utility tax exemption amounts stated in RCW 82.16.040 were increased to:

Monthly reporting basis .....	\$ 2,000 per month
Quarterly reporting basis.....	\$ 6,000 per quarter
Annual reporting basis .....	\$ 24,000 per annum

(a) If the taxable amount for a reporting period equals or exceeds the maximum exemption, tax must be remitted on the full taxable amount.

(b) The public utility tax maximum exemptions apply to the entire reporting period, even though the business may not have operated during the entire period.

(c) The public utility tax exemption or threshold is not affected by the amounts reported in the B&O tax section or any of the other tax sections of the combined excise tax return.

(d) For example, assume that the DEF corporation registers and starts business activities on February 1st. A quarterly reporting frequency is assigned to DEF by the department of revenue. During the two months of the first quarter that DEF is actively in business, DEF's public utility tax gross is seven thousand dollars, but after deductions the total taxable amount is five thousand dollars. In this case, DEF does not owe any public utility tax because the taxable amount of five thousand dollars is less than the six thousand dollar threshold for quarterly taxpayers. The fact that DEF was in business during only two months out of the three months in the quarter has no effect on the threshold amount. However, if DEF had no deductions available, the taxable amount would be seven thousand dollars and public utility tax would be due on the full taxable amount.

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